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UNCLAS SECTION 01 OF 02 ISTANBUL 000880

SIPDIS

SENSITIVE

E.O. 12958: N/A

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SUBJECT: AKP AND THE ISTANBUL "ESNAFLAR": A PERFECT MATCH?

11. (SBU) Summary: Support from the Istanbul "esnafilar") small businessmen, restaurant owners, craftsmen, shopkeepers, street vendors, and taxi and truck drivers - may have contributed to the Justice and Development (AK) Party's November 2002 electoral success, but this support may be less solid than it appears. Esnafilar are frustrated with their economic circumstances and expect Prime Minister Erdogan to deliver economic salvation... or at least populist hand-outs. End Summary.

"Esnafilar": Part of AKP's Base?

12. (U) Although Turkish "esnafilar") small businessmen, restaurant owners, craftsmen, shopkeepers, street vendors, and taxi and truck drivers) may not have the same influence and access that wealthier manufacturing and industrial groups enjoy, together they make up one of the largest sectors of the voting population. The Turkish Esnafilar and Artisan Union, an umbrella organization for 172 different esnafilar chambers, claims to represent 3 million Istanbul residents (700,000 registered members and their families), about a quarter of the population. Narrow profit margins, a greedy and corrupt bureaucracy, and a lack of access to credit and loans have left most of Istanbul's esnafilar on the edge of poverty. The two-year old economic crisis hit this group especially hard, forcing many into bankruptcy and the ranks of the unemployed and others onto the streets to protest government demands that they pay outstanding social security debt and personal loans.

13. (SBU) This combination of voting power and desperation has made this group a major target for political parties in Turkey. Although it is difficult to make generalizations, anecdotal evidence and common wisdom suggest that, in line with the majority of the Turkish population, esnafilar tend to be both politically conservative and religiously devout, voting mostly for right-wing parties. The Board of the Istanbul Esnafilar and Artisan Union (IESB), for example, includes an adviser to the Chairman of the True Path Party, a senior Istanbul Motherland Party official, and two Justice and Development (AK) Party members. Suat Yalkin, IESB President for the last 18 years, told poloff that IESB is careful not to endorse particular parties, but he conceded that IESB members provided significant support to the AK Party in last November's elections, despite the fact that IESB had specifically distanced itself from the now-banned Welfare and Virtue Parties for their Islamic leanings.

Frustration or Fanaticism?

14. (SBU) Our anecdotal contacts with typical esnafilar restaurant owners and shopkeepers confirm that AK made inroads into these groups. One restaurateur admitted to voting for AK, citing frustration with the difficult economic situation and the ineffective and corrupt politicians in Ankara as his motivating factor. A shopkeeper said he voted for AK because of his confidence in former Istanbul Mayor and AK Chairman Tayyip Erdogan. We have heard similar accounts from vegetable sellers, tailors, and small shop owners. On the other hand, for every AK supporter we have met, other esnafilar told us that they have given up on politicians altogether and did not vote at all in the last elections. On the whole, our sense is that AK support among the esnafilar rests on Erdogan's charisma, AK's "clean" reputation, and growing frustration with the inability of "corrupt" Ankara politicians to address the crippling economic situation. Rarely have we encountered esnafilar that supported AK for purely ideological reasons.

Can AKP and Erdogan Deliver?

15. (SBU) IESB President Yalkin claimed that despite this support, AK has not been particularly responsive to esnafilar concerns. According to Yalkin, esnafilar have almost no ready access to credit and bank loans. (Note: This is a frequent complaint we hear from esnafilar, who claim that because such credits are unavailable, they must save up their own money or

borrow from friends and family.) Yalkin complained that the ratio between loans to small and large businesses in Turkey is less than 1:100, while in most western economies the figure is closer to 50:50. This notwithstanding, Yalkin complained that the AK government has so far refused to take measures to prevent the privatization of state-owned Halk Bank, the only institution that has been willing to lend to esnafilar in the past. Esnafilar, like the Turkish farmers, have also pushed the government to forgive their non-performing bank loans (USD 20 to 40 million).

16. (SBU) Yalkin allowed, however, that Erdogan seemed to be making a personal effort. Following an appeal from esnafilar representatives, Erdogan tripled the amount of a small credit fund for esnafilar in the 2003 budget (increasing it to approximately USD 80 million). Erdogan also eliminated a requirement that potential applicants pay all of their arrears to the state pension fund (a condition almost none of them can satisfy). Yalkin claims that the 44 percent interest rate for the fund has limited its utility (only one-third of the money has been disbursed), but he believes that Erdogan may lower the rate by another ten percent when he addresses a gathering of esnafilar in Ankara on June 24.

Comment

17. (SBU) Many have pointed to esnafilar support as one of the factors that underpinned AKP's electoral success in Istanbul. Absent any comprehensive studies it is difficult to draw definitive conclusions, but it is probably safe to say that they supported AKP in numbers equal to or greater than the general population. Anecdotal conversations with individual shopkeepers and other esnafilar, however, suggest that this support may be skin-deep and highly dependent on AKP's ability to turn the economy around or at least deliver populist hand-outs, including subsidized credits and loan forgiveness. A similar perception within AK doubtless explains the government's intermittent populist gestures, which have periodically roiled Turkish markets and put in doubt its commitment to economic reform.
ARNETT